

Message Text

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ACTION NEA-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 AGR-20 IGA-02

IO-14 SWF-02 FDRE-00 EA-11 EUR-25 DRC-01 /224 W

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FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 615

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EO 11652: N/A

TAGS: ECON, CE

SUBJ: SRI LANKA FOOD SITUATION WORSENING; EARLY MARCH 1974

REF: COLOMBO 342

1. SUMMARY: SHARPLY DIMINISHED DOMESTIC RICE SUPPLY, UNANTICIPATED DELAYS IN RICE IMPORTS ARRIVALS, AND INCREASING COST OF SUGAR AND WHEAT IMPORTS ARE WORSENING AN ALREADY SEVERE FOOD SITUATION. REDUCTION DURING NEXT TWO OR THREE WEEKS OF MEAGER WHEAT FLOUR RATION VIRTUALLY INEVITABLE. GSL OFFICIALS BELIEVE COMPENSATING RICE RATION INCREASE WILL BE NECESSARY. WORSENING SITUATION CONTINUES AMONG ESTATE WORKERS WITH REPORTS OF MALNUTRITION AND SOME STARVATION GROWING. IF GSL MANAGES TO GET THROUGH NEXT 40-60 DAYS WITHOUT WIDESPREAD NUTRITIONAL SUFFERING OR SEVERE POLITICAL UNREST, SITUATION SHOULD EASE SOMEWHAT DURING MAHA RICE HARVEST BUT COULD BECOME EVEN WORSE IN JULY-AUGUST. END SUMMARY.

2. ACCORDING FOOD COMMISSIONER SRI LANKA WILL EXHAUST WHEAT FLOUR
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STOCKS NEEDED TO SUPPLY CURRENT RATION

REQUIREMENTS (ONE POUND WHEAT FLOUR PER PERSON PER WEEK PLUS ONE POUND BREAD PER 3 PERSONS IN FAMILY PER DAY) DURING WEEK OF MARCH 10. ANTICIPATED WHEAT FLOUR IMPORTS THEREAFTER WILL PERMIT ONLY CONTINUATION OF SMALL WHEAT FLOUR RATION, REDUCING NATIONAL CONSUMPTION OF WHEAT FLOUR FROM CURRENT 10,500 TONS PER WEEK TO 4,000 TO 5,000 TONS VIA BAKERIES PER WEEK. THIS MARKS FIRST TIME THAT WHEAT FLOUR STOCKS ON HAND WILL FAIL TO COVER CURRENT RATION REQUIREMENTS.

3. LONGER TERM WHEAT SUPPLY PROSPECTS EXTREMELY TIGHT. EXISTING CONTRACTS WILL PROVIDE FIFTY PERCENT OF PRESENT RATION REQUIREMENTS THROUGH MAY. DURING FEB, GSL BOUGHT 53,000 TONS FLOUR AT US \$283 FOB FROM FRANCE AND GERMANY. EMERGENCY PURCHASING MISSION DESPATCHED TO AUSTRALIA FEB 28 TO NEGOTIATE UP TO 100,000 TONS FLOUR AND 70,000 TONS WHEAT GRAIN FOR MILLING IN SRI LANKA. CURRENT AUSTRALIAN WHEAT PRICE OF US \$390 PER TON VERY HIGH BUT OFFER OF ONE YEAR CREDIT TERMS MAY BE DECISIVE CONSIDERATION. EVEN IF AUSTRALIAN DEAL NEGOTIATED, SEVERE SHORTAGE OF IN-COUNTRY STOCKS ANTICIPATED FROM MARCH ON.

4. DOMESTIC PADDY PRODUCTION PROCURED BY PADDY MARKETING BOARD (PMB) JAN-FEB TOTALLED ONLY 6,000 TONS COMPARED TO 28,000 TONS LAST YEAR. DISMAL PERFORMANCE HAS UNDERMINED GOVT CONFIDENCE IN ABILITY TO SERVICE CURRENT RICE RATION (ONE POUND) THROUGH MAHA HARVEST (REFTEL). BECAUSE OF DROUGHT CONDITIONS, DELAYED HARVEST, AND HOARDING, PMB NOW ANTICIPATES MARCH RICE RECEIPTS OF LESS THAN 5,000 TONS (COMPARED TO 40,000 TONS MARCH 1973). AS OF MID-FEBRUARY, GOVT BANNED PRIVATE TRANSPORT OF RICE AND ANNOUNCED DETERMINATION TO SEIZE HOARDED STOCKS AND PREVENT PRIVATE SALES. PRESS HAS ANNOUNCED POLICE AND SOME ARMY PERSONNEL WILL BE USED TO MAN ANTI-TRANSPORT ROAD CHECKPOINTS. AGRICULTURE MINISTER ANNOUNCED THAT LAW ENFORCEMENT PERSONNEL WOULD NOT SEARCH FOR AND SEIZE PADDY IN FARMERS HOMES. IN MIDST OF INTENSE INTERNAL AND PUBLIC DEBATE OVER EQUITY AND EFFECTIVENESS OF CURRENT GUARANTEED PRICE FOR PADDY (RS 25 PER BUSHEL, GSL HAS OPTED FOR POLITICAL PERSUASION AND STRINGENT ARTIFICIAL CONTROLS. IN LATE LIMITED OFFICIAL USE

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FEB, FOOD COMMISSIONER (FC) BOUGHT 20,000 TONS RICE FROM PAKISTAN TO SUPPLEMENT ANTICIPATED BUT DELAYED PRC SHIPMENTS. GOVT OFFICIALS FEAR SERVICING PRESENT RATION (FREE HALF-MEASURE COUNTRYWIDE PLUS SECOND HALF-MEASURE AT RS ONE IN GREATER COLOMBO AREA) WILL BE VERY DIFFICULT UNLESS PMB PURCHASES INCREASE SHARPLY.

5. EVIDENCE OF MALNUTRITION AND STARVATION INCREASING IN

ESTATE AREAS. UN OFFICIALS REPORT ESTATE WORKERS CURRENTLY RECEIVING NO MORE THAN 60 PERCENT OF MINIMUM REQUIREMENTS. ABSENTEEISM ON RUBBER ESTATES NOW AVERAGING 30 PERCENT, WHILE TEA HARVESTING, ALREADY CURTAILED BECAUSE OF DROUGHT, NOW HIT BY UP TO 50 PERCENT ABSENTEEISM. WHEAT FLOUR AND RICE NOT CURRENTLY AVAILABLE OFF-RATION IN ESTATE AREAS WHILE SUBSIDIARY FOOD CROPS (ESPECIALLY MANIOC AND SOME VEGETABLES) ARE VERY SCARCE. GOVT ATTEMPTING TO SUPPLY SMALL ADDITIONAL AMOUNTS OF COARSE WHEAT FLOUR TO MOST SEVERELY AFFECTED ESTATES. NEVERTHELESS, EXTREME HUNGER IS INTENSIFYING ON ESTATES, ESPECIALLY AMONG CASUAL LABOR NOT COVERED BY ESTATE FOOD OPERATIONS. OFFICIALS TERM SITUATION DANGEROUS AND "POTENTIALLY EXPLOSIVE" BUT NO VIOLENT OUTBREAKS TO DATE.

6. MEANWHILE, ON FEB 29 THE GSL MORE THAN DOUBLED THE OFF-RATION SUGAR PRICE TO RS 5 BUT MAINTAINED THE RATION PRICE AT RS 0.72. WHILE INCREASING THE AMOUNT FROM THREE-QUARTER TO ONE POUND PER MONTH.

7. DURING MARCH AND EARLY APRIL (UNTIL MAHA CROP HARVESTED) SIMULTANEOUS INTENSIFICATION OF RICE, WHEAT FLOUR, SUGAR SHORTAGES, CONTINUING DROUGHT CONDITIONS, GROWING GSL PRESSURE TO PREVENT HOARDING AND TO FORCE SALES TO PMB, AND APPROACH OF ANNUAL HINJU AND BUDDHIST FESTIVAL DAYS (WHEN ADDITIONAL SUPPLIES ARE USUALLY MADE AVAILABLE) HAS CREATED ANXIETY IN OFFICIAL CIRCLES THAT THERE IS DANGER OF FOOD RIOTS. IN LONGER RUN, CONTINUING INCREASES IN IMPORTED SUGAR, RICE, AND WHEAT FLOUR PRICES AND REDUCED ESTIMATES FOR DOMESTIC RICE PRODUCTION (GOVT SOURCES NOW ESTIMATE MAHASXARVEST OF 45 MILLION BUSHELS; TARGET IS 59 MILLION), WILL MEAN DOUBLING OF MINIMUM FOOD IMPORT BILL OVER NOV 1973, BUDGET ALLOCATIONS. ASSUMING GOVT LIMITED OFFICIAL USE

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WEATHERS CURRENT CRUNCH BY CAREFUL CRISIS MANAGEMENT OF DEMANDS ON FOREIGN EXCHANGE RESOURCES AND BY TIMELY ARRIVAL OF "SHIP-TO-MOUTH" FOOD SUPPLIES, NEXT CRISIS WILL COME IN AUGUST. PADDY CULTIVATORS ARE ALREADY USING WATER SUPPLIES NORMALLY RESERVED FOR YALA CROP PLANTING (JULY-AUGUST) AND IN ABSENCE OF UNUSUALLY HEAVY MAY-JUNE MONSOON SRI LANKA MAY ENTER NEXT SHORTAGE PERIOD IN WORSE SHAPE THAN NOW. GSL CONTINUES TO MANAGE AVAILABLE RESOURCES COMPETENTLY BUT IS NOW DRIVEN TO INCREASINGLY SHORT-TERM AND VERY COSTLY EXPEDIENTS. ALTHOUGH WE BELIEVE GSL MAKING MAXIMUM EFFORT TO GET FOOD TO PEOPLE AND TO EXPLAIN EXTERNAL REASONS FOR INCREASING COSTS AND SHORTAGES, NUTRITIONAL AND POLITICAL MARGIN OF TOLERANCE IS DIMINISHING. THERE ARE ALSO INDICATIONS THAT LEFTISTS WITHIN GSL ARE ATTEMPTING TO EXPLOIT SITUATION TO PUSH

GOVT FURTHER TO LEFT AS PRICE FOR KEEPING FOLLOWERS
IN LINE.
VAN HOLLEN

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Message Attributes

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